FHA-HFA Multifamily Loan Risk-Sharing
2024 FAQs

What is the FHA-HFA Risk-Sharing program?

Congress established the Federal Housing Administration (FHA) – Housing Finance Agency (HFA) Multifamily Risk-Sharing Program in 1992 to increase and expedite FHA's multifamily mortgage production. It allows HFAs that meet rigorous financial standards to underwrite FHA multifamily loans in return for sharing the risk of losses on those loans.

FHA provides full insurance on the loans, and HFAs agree to accept up to 50 percent of the risk of losses on them. The more risk HFAs assume, the more underwriting flexibility FHA permits them. In the event of a default, FHA and the HFA apportion the loss according to the risk-sharing agreement they have made.

The Risk-Sharing program provides credit enhancement to HFA bond and debt issuances through FHA mortgage insurance, resulting in lower borrowing costs. HFAs are then able to pass on these savings to borrowers and tenants. The Department of Housing and Urban Development (HUD) also benefits because, compared to traditional FHA loans, the Risk-Sharing program reduces risk to the FHA insurance fund, increases affordable housing production, and significantly cuts HUD staffing and processing needs.

What has the program accomplished?

Since the program's inception, 37 HFAs have used it to finance more than $18 billion to support more than 1,700 multifamily housing developments. Program loan default rates have been very low, and premium revenue has exceeded total claims, generating net revenue for the federal government.

What is the Federal Financing Bank financing option for Risk-Sharing loans?

To support more multifamily lending and provide a source of capital for smaller loans, especially in rural areas, HUD and the Treasury Department created a special financing program through which Treasury's Federal Financing Bank (FFB) purchases HFA Risk-Sharing loans. This reduces the cost of financing and promotes more affordability and faster and easier processing.

FFB financing also levels the playing field to provide comparable pricing and capital access to what other FHA loans obtain through Ginnie Mae securitization, which is not available to Risk-Sharing loans.

Twenty-two HFAs are approved to use FFB financing. HFAs have closed or committed $4.9 billion in loans to help finance 42,000 units under the FFB program.

The FFB financing option was suspended briefly in 2019 but restarted in 2021 under a temporary arrangement that expires October 1, 2024.

How can Congress improve the FHA-HFA Risk-Sharing Program?

The FFB financing option should be extended permanently as soon as possible to allow HFAs to continue to use it to support the production and preservation of affordable multifamily housing. The Administration has the authority to extend the program without additional legislation, but Congress could encourage the Administration to do so.

In addition, Congress could authorize Ginnie Mae securitization of FHA-HFA Risk-Sharing loans. This would provide HFAs access to the efficiency and liquidity of the Ginnie Mae multifamily financing system, which would likely lower their borrowing costs, offer more competitive products to private-sector lenders and developers, and produce more affordable rents for low-income residents.

Ginnie Mae already securitizes most FHA loans, so authorizing Ginnie Mae securitization of Risk-Sharing loans would not expand significantly Ginnie Mae's role in affordable housing.